

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Taymouth Township	County Saginaw County
Audit Date 6/30/05	Opinion Date 9/2/05	Date Accountant Report Submitted to State: 3/7/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

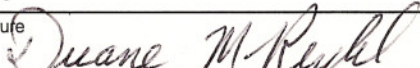
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Andrews Hooper & Pavlik P.L.C.			
Street Address 5300 Gratiot	City Saginaw	State MI	ZIP 48638
Accountant Signature 		Date	

Taymouth Township
Saginaw County
State of Michigan

Audited Financial Statements

Year ended June 30, 2005

Township Officials

Supervisor	Douglas James
Clerk	Gail Basner
Treasurer	Carole Konesko
Trustee	Larry Smith
Trustee	Aaron Dodak

Taymouth Township
Saginaw County
State of Michigan

Audited Financial Statements

Year ended June 30, 2005

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Report of Independent Auditors

To the Township Board
Taymouth Township
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Taymouth Township, Saginaw County, Michigan (Township), as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Taymouth Township, Saginaw County, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Taymouth Township, Saginaw County, Michigan. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
September 2, 2005

This section of the Township of Taymouth's annual financial report presents our discussion of Taymouth Township's financial performance during the fiscal year ended June 30, 2005. Please read it in conjunction with the Township's financial statements.

Overview

The following are the most significant financial highlights for the year ended June 30, 2005. State-shared revenue, the Township's major revenue source for the General Fund, remained consistent with the prior year compared to a decrease of \$25,000 in 2004. Having anticipated the decrease in the prior year, the initial budget for fiscal year end 2004 was established at a rate of 10 percent less than the prior year. The Township had to rely on monies accumulated over the previous years to cover the costs of unexpected bridge replacement and road repair.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets and the Statement of Activities distinguish functions of the Township that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and trash pick-up. The business-type activities of the Township include water services.

The Fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fund financial statements can be divided into three categories including governmental funds, proprietary funds, and fiduciary funds. The fiduciary fund statements provide information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

The Township as a Whole

For the fiscal year ended June 30, 2005, assets exceeded liabilities by \$5,070,090 compared to \$5,062,189 in the prior year. A large portion of the Township's net assets (53%) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and water lines) less any related debt used to acquire those assets that is still outstanding. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

The Township's total governmental revenues were \$1,024,079. The largest portion of which is from state-shared revenue. The second largest source of revenue is derived from tapping fees. The only operational landfill in Saginaw County is located in the Township. A host agreement between the Township and Waste Management bases these fees on the amount of refuse received at People's Landfill.

The Township incurred governmental expenses of \$1,092,682 during the year. The largest expenses were for road and bridge maintenance and operation of the fire department. Due to spring flooding a bridge had to be replaced resulting in expenses two times what had been anticipated in the roads and bridges line item of the original budget. The Fire Department capital outlay line item was also increased significantly as a result of a federal grant, which required a 10% match by the Township.

Business-type Activities

The Township's business-type activities consist of the Water Fund. Water is provided to approximately 40% of the Township's residents. Water is purchased from the City of Saginaw at a price controlled by the City. The cost is passed to each individual customer.

The City of Saginaw raised the Ready-to Serve cost for water by 254%. Faced with the doubling of water bills for residents, the Township worked with the City to implement an agreement spreading this increase over a 5 year span. Knowing most water customers will be unable to meet the continually rising costs, the Township is working to join a water authority and hopes to be successful in this endeavor before the total increase is realized.

During the year ended June 30, 2004, the Water Fund refunded water bonds Phases I-IV with a total outstanding debt of \$1,565,000 and replaced them with a consolidated bond issuance of \$965,000, lowering the debt for those bonds by \$600,000. During the current year, the Township made payments of \$145,000 to the debt leaving a total outstanding debt of \$1,895,000.

The Township's Funds

Taymouth Township's major funds for 2004-2005 are the same as in the prior fiscal year and include the General Fund, Library Fund, Park Fund, Trash Fund and Water Fund. These funds were created by the Township board to manage money for specific purposes as well as to show accountability for assessments collected as part of the property taxes.

The General Fund is the chief operating fund of the Township and pays for most of the Township's governmental services. The most significant expenses are for road and bridge maintenance and replacement having spent just over \$325,000 this fiscal year compared to just over \$100,000 in the prior fiscal year. Roads and bridges are controlled by the Saginaw County Road Commission.

The Trash Fund is a special revenue fund and is a major fund for the year ended June 30, 2005. All expenses for this fund are considered trash collection expense. Revenues for the Trash Fund are derived from taxes.

General Fund Budgetary Highlights

Throughout the year, the Township board made adjustments to the budget. The most significant adjustment was, as noted earlier, to roads and bridges. The Fire Department was fortunate to receive a Homeland Security Grant of approximately \$78,000 and, along with the Township's contributing share of \$8,600, was able to purchase SCBA and wildfire gear. The Special Assessment for Fire Protection was collected for the first of five years. These monies are placed in a separate account and used exclusively for installment payments to National City Bank for the 2005 American LaFrance engine and 2005 Freightliner rescue squad made by Taylor Made Ambulance. Overall, the fund balance in the General Fund decreased by \$24,176.

During the prior year ended June 30, 2004, the Township Board made adjustments to the budget. There were no significant adjustments needed since the cost of workmens' compensation insurance rose slightly as did utility costs. Overall, the Township managed to increase the fund balance of the General Fund by approximately \$102,000.

Capital Asset and Debt Administration

At June 30, 2005, the Township had \$2,684,364 invested in capital assets, including building, land, fire equipment, and water lines, net of related debt compared to \$2,571,004 in the prior year.

The Township has no outstanding debt, other than that in the Water Fund.

The following table shows, in a condensed format, the net assets as of June 30, 2005.

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 889,921	\$1,536,193	\$2,426,114
Capital assets - net	374,202	4,205,162	4,579,364
Total assets	1,264,123	5,741,355	7,005,478
Current and other liabilities	40,388	145,000	185,388
Noncurrent liabilities		1,750,000	1,750,000
Total liabilities	40,388	1,895,000	1,935,388
Net assets:			
Invested in capital assets, net of related debt	374,202	2,310,162	2,684,364
Unrestricted	849,533	1,536,193	2,385,726
Total net assets	\$1,223,735	\$3,846,355	\$5,070,090

As a comparison, the following table shows, in a condensed format, the net assets as of June 30, 2004.

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 959,166	\$1,576,003	\$2,535,169
Capital assets - net	301,748	4,309,256	4,611,004
Total assets	1,260,914	5,885,259	7,146,173
Current and other liabilities	33,042	155,942	188,984
Noncurrent liabilities		1,895,000	1,895,000
Total liabilities	33,042	2,050,942	2,083,984
Net assets:			
Invested in capital assets, net of related debt	301,748	2,269,256	2,571,004
Unrestricted	926,124	1,565,061	2,491,185
Total net assets	\$1,227,872	\$3,834,317	\$5,062,189

The following table shows the change in net assets for the year ended June 30, 2005.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 156,759	\$ 325,101	\$ 481,860
General revenue:			
Property taxes	191,553		191,553
Licenses and permits	55,324		55,324
Intergovernmental	380,756		380,756
Fines and forfeits	26,887		26,887
Interest	11,173	83,649	94,822
Other fees	141,698		141,698
Rent	3,287		3,287
Other	58,356	67,753	126,109
Capital contributions		58,000	58,000
Total revenue	1,025,793	534,503	1,560,296
Program expenses			
Legislative	6,324		6,324
General government	252,661		252,661
Public safety	159,379		159,379
Public works	353,133		353,133
Library	53,784		53,784
Trash collection	156,376		156,376
Park	24,266		24,266
Water		522,465	522,465
Other	86,759		86,759
Total program expenses	1,092,682	522,465	1,615,147
Increase (decrease) in net assets before transfers	(66,889)	12,038	(54,851)
Transfers	62,752		62,752
Change in net assets	(4,137)	12,038	7,901
Net assets at beginning of year	1,227,872	3,834,317	5,062,189
Net assets at end of year	\$1,223,735	\$3,846,355	\$5,070,090

As a comparison, the following table shows the change in net assets for the year ended June 30, 2004.

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 188,757	\$ 290,650	\$ 479,407
General revenue:			
Property taxes	95,466		95,466
Licenses and permits	50,482		50,482
Intergovernmental	343,984		343,984
Fines and forfeits	5,211		5,211
Interest	4,227	94,989	99,216
Other fees	191,052		191,052
Rent	2,868		2,868
Other	28,299	63,867	92,166
Total revenue	910,346	449,506	1,359,852
Program expenses			
Legislative	6,163		6,163
General government	245,736		245,736
Public safety	140,171		140,171
Public works	145,385		145,385
Library	53,730		53,730
Trash collection	164,485		164,485
Park	19,843		19,843
Water		509,979	509,979
Other	44,371		44,371
Total program expenses	819,884	509,979	1,329,863
Increase (decrease) in net assets before transfers	90,462	(60,473)	29,989
Transfers	(746)	746	
Change in net assets	89,716	(59,727)	29,989
Net assets at beginning of year	1,138,156	3,894,044	5,032,200
Net assets at end of year	\$1,227,872	\$3,834,317	\$5,062,189

Economic Indicators and Next Year's Budget

Once again anticipating further cuts in state-shared revenue, the Township has budgeted at a rate approximately 5% less than the prior fiscal year. The same rate decrease was implemented during fiscal year end 2004. Increases were allowed for utility payments for all Township buildings and an energy-saving policy has been established with the hopes of curtailing the effects of inflationary fuel and heating costs.

During fiscal year 2005, the Township was working on a special assessment for fire protection. The special assessment for fire protection began during the current year and will continue for the next four years to cover the purchase of the rescue squad and frontline bumper. The equipment is being financed by National City Bank through an installment loan. Both vehicles are expected to be in service by late fall.

As stated previously, the water is controlled by the City of Saginaw. We anticipate a significant increase in the cost of water into the foreseeable future. These costs will be passed onto the customers as we continue to seek alternative avenues to keep the costs in check. A major bridge construction project is on the horizon. This bridge will span the Flint River and replaces a historical bridge now located in the Morseville/Burt Road area. Construction is to begin before the end of December 2005.

During fiscal year end 2004, the Township underwent a state-ordered reassessment. This resulted in no major changes to the overall assessed value of the Township and thus no significant changes in property taxes were anticipated.

The Township saved thousands of dollars by availing itself of the county work crew consisting of a deputy sheriff and approximately six inmates. The crew maintained properties such as the cemeteries and park on a weekly basis. It is hoped they will be able to return next year.

Contacting the Township's Management

The financial report is intended to provide taxpayers, citizens and investors with a general overview of the Township's finances and the accountability for the money received. If you have any questions about this report or need additional information, please contact the Clerk's office.

Taymouth Township
Saginaw County
State of Michigan

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 746,474	\$ 429,987	\$1,176,461
Deposit with Saginaw County		3,974	3,974
Accounts receivable	37,787	67,504	105,291
Due from other governmental units	105,660		105,660
Special assessments receivable		1,033,562	1,033,562
Other assets		1,166	1,166
Capital assets - net	374,202	4,205,162	4,579,364
Total assets	1,264,123	5,741,355	7,005,478
Liabilities			
Accounts payable	20,183		20,183
Deposits payable	20,205		20,205
Non-current liabilities:			
Due within one year		145,000	145,000
Due in more than one year		1,750,000	1,750,000
Total liabilities	40,388	1,895,000	1,935,388
Net assets			
Invested in capital assets, net of related debt	374,202	2,310,162	2,684,364
Unrestricted	849,533	1,536,193	2,385,726
Total net assets	\$1,223,735	\$3,846,355	\$5,070,090

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues	Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/programs:					
Governmental activities:					
Legislative	\$ 6,324		\$ (6,324)		\$ (6,324)
General government	252,661		(252,661)		(252,661)
Public safety	159,379		(159,379)		(159,379)
Public works	353,133		(353,133)		(353,133)
Library	53,784	\$ 9,061	(44,723)		(44,723)
Trash collection	156,376	141,867	(14,509)		(14,509)
Park	24,266	4,117	(20,149)		(20,149)
Other	86,759		(86,759)		(86,759)
Other financing sources:					
Insurance recovery and dividend		1,714	1,714		1,714
Total governmental activities and other financial services	1,092,682	156,759	(935,923)		(935,923)
Business-type activities:					
Water	522,465	325,101		\$ (197,364)	(197,364)
Total business-type activities	522,465	325,101		(197,364)	(197,364)
Total	\$1,615,147	\$481,860	(935,923)	(197,364)	(1,133,287)
General revenues:					
Property taxes, levied for general operations			191,553		191,553
Licenses and permits			55,324		55,324
Intergovernmental			380,756		380,756
Fines and forfeits			26,887		26,887
Interest			11,173	83,649	94,822
Services			141,698		141,698
Rent			3,287		3,287
Other			58,356	67,753	126,109
Transfers			62,752		62,752
Capital contributions				58,000	58,000
Total general revenues, transfers and capital contributions			931,786	209,402	1,141,188
Change in net assets			(4,137)	12,038	7,901
Net assets at beginning of year			1,227,872	3,834,317	5,062,189
Net assets at end of year			\$1,223,735	\$3,846,355	\$5,070,090

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Balance Sheet
Governmental Funds

June 30, 2005

	General	Trash Fund	Non-major Governmental Funds	Total Governmental Funds
Assets				
Cash	\$662,221	\$78,921	\$5,332	\$ 746,474
Accounts receivable	37,787			37,787
Due from other governmental units	105,660			105,660
Total assets	<u>\$805,668</u>	<u>\$78,921</u>	<u>\$5,332</u>	<u>\$ 889,921</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 8,383	\$11,800		\$ 20,183
Deposits payable	19,205		\$1,000	20,205
Total liabilities	<u>27,588</u>	<u>11,800</u>	<u>1,000</u>	<u>40,388</u>
Fund balances:				
Unreserved - designated				
General fund	88,302			88,302
Unreserved - undesignated				
General fund	689,778			689,778
Special revenue		67,121	4,332	71,453
Total fund balances	<u>778,080</u>	<u>67,121</u>	<u>4,332</u>	<u>849,533</u>
Total liabilities and fund balances	<u>\$805,668</u>	<u>\$78,921</u>	<u>\$5,332</u>	<u>\$ 889,921</u>

Total governmental fund balances \$ 849,533

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of capital assets is	1,848,925
Accumulated depreciation is	(1,474,723)
Net assets of governmental activities	<u>\$ 1,223,735</u>

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2005

	General	Trash Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$191,553	\$140,928		\$ 332,481
Licenses and permits	55,324			55,324
Intergovernmental	380,756		\$ 2,016	382,772
Fines and forfeits	26,887		83	26,970
Interest	11,173	939	34	12,146
Services	141,698			141,698
Rent	3,287		3,743	7,030
Other	58,356		7,302	65,658
Total revenues	869,034	141,867	13,178	1,024,079
Expenditures				
Legislative	6,324			6,324
General government	244,753			244,753
Public safety	157,038			157,038
Public works	345,428	156,376		501,804
Recreation			73,085	73,085
Capital outlay	102,886		15,162	118,048
Other	64,084			64,084
Total expenditures	920,513	156,376	88,247	1,165,136
Excess of revenues under expenditures	(51,479)	(14,509)	(75,069)	(141,057)
Other financing sources				
Insurance recovery and dividend	1,714			1,714
Operating transfers in	25,589		37,163	62,752
Total other financing sources	27,303	-	37,163	64,466
Excess of revenues and other financing sources under expenditures	(24,176)	(14,509)	(37,906)	(76,591)
Fund balances at beginning of year	802,256	81,630	42,238	926,124
Fund balances at end of year	\$778,080	\$ 67,121	\$ 4,332	\$ 849,533

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds	\$(76,591)
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Amounts reported for governmental activities in the statement of activities are different because:
Governmental funds report capital outlays as expenditures. In the statement of activities,
these costs are allocated over their estimated useful lives as depreciation.

<u>72,454</u>

Net change in net assets - government-wide statement of activities

<u><u>\$ (4,137)</u></u>

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Statement of Net Assets
Proprietary Fund

June 30, 2005

	Proprietary Fund Type Water Fund
Assets	
Current assets:	
Cash	\$ 429,987
Deposit with Saginaw County	3,974
Accounts receivable	67,504
Total current assets	501,465
Special assessments receivable	1,033,562
Bond discount	1,166
Capital assets, net of accumulated depreciation	4,205,162
Total assets	5,741,355
Liabilities	
Current liabilities:	
Current portion of bonds payable	145,000
Total current liabilities	145,000
Non-current liabilities:	
Bonds payable	1,750,000
Total liabilities	1,895,000
Net assets:	
Invested in capital assets, net of related debt	2,310,162
Unrestricted	1,536,193
Total net assets	\$3,846,355

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2005

Operating revenues

Charges for water services	\$ 311,706
Connection fees and meter charges	13,395
Other	67,753
Total operating revenue	<u>392,854</u>

Operating expenses

Labor	48,498
Payroll taxes	4,426
Benefits	7,555
Cost of water	118,129
Travel	362
Operations and maintenance	56,636
Water line tap in expenses	12,835
County administrative fee	2,174
Depreciation	104,094
Supplies	3,576
Administrative expenses	6,448
Professional fees	660
Bond amortization	1,257
Other	9,307
Total operating expenses	<u>375,957</u>
Operating income	<u>16,897</u>

Nonoperating revenue (expenses)

Interest earned	83,649
Interest expense and paying agent fees	(146,508)
Total nonoperating revenue (expenses)	<u>(62,859)</u>
Loss before capital contributions	<u>(45,962)</u>

Capital contributions	<u>58,000</u>
Change in net assets	<u>12,038</u>

Net assets at beginning of year	<u>3,834,317</u>
Net assets at end of year	<u><u>\$3,846,355</u></u>

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

Cash flows from operating activities

Receipts from customers	\$ 136,035
Payments to suppliers	93,152
Net cash provided by operating activities	<u>229,187</u>

Cash flows from capital and related financing activities

Principal paid on bonds	(145,000)
Contributed capital	58,000
Interest expense and paying agent fees	(146,508)
Net cash used by capital and related financing activities	<u>(233,508)</u>

Cash flows from investing activities

Interest revenue	<u>83,649</u>
------------------	---------------

Net increase in cash	79,328
Cash at beginning of year	354,633
Cash at end of year	<u><u>\$ 433,961</u></u>

Cash reported on balance sheet

Cash	\$ 429,987
Deposit with Saginaw County	3,974
Total cash reported on statement of cash flows	<u><u>\$ 433,961</u></u>

Reconciliation of operating loss to net cash provided by operating activities

Operating income	\$ 16,897
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	104,094
Decrease (increase) in assets:	
Accounts receivable	(1,313)
Special assessments receivable	119,195
Bond discount	1,256
Decrease in liabilities:	
Accounts payable	(10,942)
Net cash provided by operating activities	<u><u>\$ 229,187</u></u>

See accompanying notes.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements

June 30, 2005

1. Summary of Significant Accounting Policies

Taymouth Township, Saginaw County, Michigan (Township) complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to the extent that those pronouncements do not conflict with or contradict GASB pronouncements. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Reporting Entity

Taymouth Township, Saginaw County, Michigan was organized in 1842 and covers an area of approximately thirty-six square miles. The Township operates under an elected Township Board (5 members) and provides services to its various residents in many areas, including health and sanitation, community enrichment and development and human services. In evaluating how to define the Township, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP), currently GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of Taymouth Township, Saginaw County, Michigan contain all the funds and account groups controlled by the Township's Board as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basic Financial Statements – Government-Wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Fiduciary funds, such as the Tax Collections Fund, are excluded from government-wide financial statements, although the Township's Tax Collections Fund had no assets or liabilities as of June 30, 2005.

In the government-wide statement of net assets, the activities are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-Wide Statements (continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements, the Township has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for services. The water fund also recognizes the portion of tapping fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Township reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial transactions not accounted for in other funds, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Trash Fund

The Trash Fund is a special revenue fund that is used to record the activity of the Township's trash collection activities.

The Township reports the following major proprietary fund:

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Water Fund

The Water Fund is used to account for operations that provide water services to citizens, and is financed primarily by user charges or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control or accountability.

Additionally, the Township reports the following fund types:

Agency Fund – Current Tax Collections Fund

The Current Tax Collections Fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Current Tax Collections Fund is used to account for taxes collected as an agent for other governmental units.

Assets, Liabilities and Equity

Deposits and Investments

The Township's cash consists of cash on hand and checking and savings accounts.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township is also authorized to invest in investment pools managed by qualified financial institutions.

Accounts Receivable

The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. Expenditures that materially extend the life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method. The estimated useful lives are as follows:

Water system	50 – 70 years
Buildings	30 – 50 years
Land improvements	15 – 20 years
Equipment	5 – 10 years
Vehicles	3 – 8 years

Total depreciation expense for the Township for the year ended June 30, 2005 was \$104,094 for business-type activities (Water Fund) and \$22,919 for governmental activities.

Compensated Absences

No accrual has been recorded for unpaid sick and vacation time since the amount is immaterial to the financial statements of the Township at June 30, 2005.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Fund Equity

Designations of unreserved fund balances in Governmental Funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Budgets and Budgetary Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the General Fund budget is adopted by activity. In the special revenue funds, budgets are adopted at the functional level.
2. A public hearing is conducted at a budget hearing to obtain citizens' comments.
3. Prior to July 1, the budget is legally adopted by a Township Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Policies (continued)

4. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds except the Tax Collections Fund, which is an agency fund.
6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30, 2005.

2. Cash and Cash Equivalents – Credit Risk

At June 30, 2005, the Township's deposits were reported in the financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	<u>\$746,474</u>	<u>\$429,987</u>	<u>\$1,176,461</u>

At June 30, 2005, the book value of the Township's deposits, consisting primarily of interest-bearing savings and checking accounts was \$1,176,461 and the bank balances were \$1,140,198. Of the bank balances, \$186,465 was covered by Federal depository insurance and \$953,733 was uninsured and uncollateralized; therefore, subjecting the Township to custodian credit risk. Custodian credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned.

The Township places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the Township subject to minimal risk.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

3. Capital Assets

Capital asset activity of the Township's governmental activities for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 102,909			\$ 102,909
Capital assets being depreciated:				
Land improvements	187,716			187,716
Buildings	505,085			505,085
Equipment	957,842	\$95,373		1,053,215
Subtotal	1,650,643	95,373		1,746,016
Less accumulated depreciation for:				
Land improvements	166,208	1,256		167,464
Buildings	387,287	5,133		392,420
Equipment	898,309	16,530		914,839
Subtotal	1,451,804	22,919		1,474,723
Net capital assets being depreciated	198,839	72,454		271,293
Governmental activities capital assets – net	\$ 301,748	\$72,454	–	\$ 374,202

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

3. Capital Assets (continued)

Capital asset activity of the Township's business-type activities for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
<u>Business-type Activities</u>				
Capital assets not being depreciated:				
Land				
Land improvements				
Subtotal				
Capital assets being depreciated:				
Water system	\$5,286,986			\$5,286,986
Vehicles	20,682			20,682
Subtotal	5,307,668			5,307,668
Less accumulated depreciation for:				
Water system	977,730	\$ 104,094		1,081,824
Vehicles	20,682			20,682
Subtotal	998,412	104,094		1,102,506
Net capital assets being depreciated	4,309,256	(104,094)		4,205,162
Business-type activities capital assets – net	\$4,309,256	\$(104,094)	–	\$4,205,162

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

3. Capital Assets (continued)

Depreciation expense was charged to activities as follows:

Governmental activities:	
General government	\$ 7,908
Public safety	2,341
Public works	7,705
Library	148
Park	4,817
Total governmental activities depreciation expense	<u>\$22,919</u>
Business-type activities:	
Water	<u>\$104,094</u>

4. Property Taxes

The Township bills and collects its own taxes and taxes on behalf of Saginaw County and the school districts within the Township boundaries. Property taxes are levied and become a lien on each December 1 on the taxable valuation of property located in Taymouth Township as of the preceding December 31 and are due without penalty on or before February 28. The taxable assessed value of the certified roll on December 31, 2004, upon which the levy for the 2005 fiscal year was based, was \$79,257,027. The collection of property taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Property tax revenue levied in December is recognized as revenue for the year ended June 30, 2005.

The tax rate assessed for the year ending June 30, 2005 to finance General Fund operations was \$.9041 per \$1,000 valuation.

5. Risk Management

The Township is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including accident insurance.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

6. Long-Term Debt

Long-term debt consists of general obligation bonds payable, recorded as a business-type activity within the Water Fund. At June 30, 2005, this debt consisted of the following:

\$950,000 bonds dated October 1, 1999, due in annual installments of \$10,000 to \$100,000 through May 1, 2019, bearing interest rates of 5.20% to 7.20% (Phase V)	\$ 880,000
\$190,000 bonds dated August 1, 2001, due in annual installments of \$5,000 to \$10,000 through May 1, 2021, bearing interest rates of 4.30% to 5.10% (Phase VI)	160,000
\$965,000 bonds dated April 28, 2004, due in annual installments of \$5,000 to \$135,000 through June 1, 2015, bearing an interest rate of 3.55%	855,000
Total bonds payable	<u>\$1,895,000</u>

A summary of changes in debt follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Phase V	\$ 905,000		\$ 25,000	\$ 880,000
Phase VI	170,000		10,000	160,000
Refunding	965,000		110,000	855,000
Total	<u>\$2,040,000</u>	<u>—</u>	<u>\$145,000</u>	<u>\$1,895,000</u>

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

6. Long-Term Debt (continued)

Annual aggregate maturities of the Water Fund for the years subsequent to June 30, 2005 are as follows:

Year ending June 30	Principal	Interest
2006	\$ 145,000	\$ 84,880
2007	160,000	78,656
2008	180,000	71,269
2009	180,000	63,615
2010	175,000	55,779
2011-2015	600,000	189,042
2016-2020	445,000	61,830
2021	10,000	510
Total	<u>\$1,895,000</u>	<u>\$605,581</u>

Total interest expense for the Township for the year ended June 30, 2005 was \$146,508 and \$200,582 for June 30, 2004.

7. Designated Fund Balance

Fund balance designated in the General Fund at June 30, 2005 is as follows:

	General Fund
Fire Department future equipment	<u>\$88,302</u>

8. Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity and line item levels.

Taymouth Township
Saginaw County
State of Michigan

Notes to Financial Statements (continued)

8. Excess of Expenditures Over Appropriations in Budgetary Funds (continued)

During the year ended June 30, 2005, the Township did not incur any expenditures in excess of the amounts appropriated, except as noted below:

	Final Budget	Actual	Variance
General Fund – Supervisor	\$22,807	\$23,251	\$(444)
General Fund – Treasurer	28,197	28,994	(797)
General Fund – Miscellaneous expense	23,265	23,445	(180)

9. Segment Information for Proprietary Fund

The Township maintains one Proprietary Fund which provides water services. Segment information for the year ended June 30, 2005 for the Water Fund was as follows:

Operating revenue	\$ 392,854
Depreciation	104,094
Operating income	16,897
Capital contributions	58,000
Change in net assets	12,038
Net working capital	356,465
Total assets	5,741,355
Bonds payable	1,895,000
Total equity	3,846,355

10. Building Inspection Department

P. A. 245 of 1999 allows local units to continue to account for enforcing agency activities within the general fund as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund.

Taymouth Township
Saginaw County
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Notes to Financial Statements (continued)

10. Building Inspection Department (continued)

During the fiscal year ended June 30, 2005, the enforcing agency collected the following fees and incurred the following expenditures:

Revenues	
Charges for services	\$ 42,135
Expenditures	
Wages	51,207
Payroll taxes	5,054
Education and training	863
Supplies	1,721
Travel	20
Membership/dues expense	23
Telephone	410
Legal	660
Engineering	1,869
	<u>61,827</u>
Net loss	<u><u>\$(19,692)</u></u>

11. Retirement Plan

The Township has a deferred compensation plan that was established by the Michigan Township Association. The plan is administered by ING and covers substantially all full and part-time employees. The employer matches dollar for dollar of employee contributions up to \$300. For the year ended June 30, 2005, employee contributions were \$300 and employer contributions were \$3,900. Benefits attributable to employee and employer contributions are 100% vested.

12. Subsequent Events

The Township entered into a loan with National City Bank to finance the purchase of fire and emergency equipment subsequent to year end. The total principal amount of the obligation is \$1,050,000 and re-payment will begin in May of 2006.

Required Supplemental Information

Taymouth Township
Saginaw County
State of Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund

Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Current tax levy	\$ 75,779	\$ 75,779	\$165,941	\$ 90,162
Property tax administration fees	25,122	25,122	25,612	490
Total taxes	100,901	100,901	191,553	90,652
Licenses and permits:				
Building permits	35,000	35,000	42,135	7,135
Trailer fees	2,000	2,000	2,118	118
Land division application fee	500	500	250	(250)
Dog license	40	40	56	16
Planning and zoning	2,800	2,800	4,430	1,630
Liquor license fee	385	385	385	
Security guard	400	400	150	(250)
Grave openings/closings	12,500	12,500	5,800	(6,700)
Total licenses and permits	53,625	53,625	55,324	1,699
Intergovernmental:				
State sales tax	322,982	322,982	364,162	41,180
State income tax	1,896	1,896	11,124	9,228
Metro fees	6,000	6,000		(6,000)
State refund	5,453	5,453	5,470	17
Total intergovernmental	336,331	336,331	380,756	44,425
Fines and forfeits	16,000	16,000	26,887	10,887
Services	144,650	144,650	141,698	(2,952)
Interest	3,750	3,750	11,173	7,423
Rent	2,000	2,000	3,287	1,287
Other	20,875	20,965	58,356	37,391
Total revenues	678,132	678,222	869,034	190,812
Expenditures (Schedule of General Fund Expenditures)	633,832	962,015	920,513	(41,502)
Excess of revenues over (under) expenditures	44,300	(283,793)	(51,479)	232,314
Other financing sources (uses)				
Insurance recovery and dividend	1,500	1,500	1,714	214
Operating transfers in (out)	(41,145)	17,836	25,589	7,753
Total other financing sources (uses)	(39,645)	19,336	27,303	7,967
Excess of revenues and other financing sources over (under) expenditures and other financing uses	4,655	(264,457)	(24,176)	240,281
Fund balance at beginning of year	802,256	802,256	802,256	
Fund balance at end of year	\$806,911	\$537,799	\$778,080	\$240,281

Taymouth Township
Saginaw County
State of Michigan

Schedule of General Fund Expenditures
General Fund

Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Legislative:				
Township Board	\$ 6,460	\$ 6,535	\$ 6,324	\$ 211
General government:				
Supervisor	21,613	22,807	23,251	(444)
General service	61,945	70,060	66,804	3,256
Clerk	28,130	29,273	28,574	699
Elections	5,450	7,573	4,137	3,436
Assessor	30,822	64,365	60,604	3,761
Treasurer	25,900	28,197	28,994	(797)
Board of Review				
Community center	13,797	15,511	12,649	2,862
Cemeteries	24,364	25,248	14,652	10,596
Environmental committee				
Opera house	4,339	5,888	5,088	800
Total general government	216,360	268,922	244,753	24,169
Public safety:				
Fire department	76,610	81,209	78,205	3,004
Central dispatch	1,800	1,800		1,800
Inspection department	73,322	80,971	78,833	2,138
Total public safety	151,732	163,980	157,038	6,942
Public works:				
Department of Public Works	194,900	352,616	345,428	7,188
Capital outlay:				
General government	3,750	5,682	4,382	1,300
Public safety	15,000	98,368	98,368	
Public works	500	500	136	364
Total capital outlay	19,250	104,550	102,886	1,664
Other:				
Workers' compensation	5,800	8,050	8,050	
Fire department cost recovery	1,500	1,500		1,500
Trailer park fees	2,000	1,500	1,492	8
Insurance	30,000	31,097	31,097	
Miscellaneous	5,830	23,265	23,445	(180)
Total other	45,130	65,412	64,084	1,328
Total expenditures	\$633,832	\$962,015	\$920,513	\$41,502

Taymouth Township
Saginaw County
State of Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Trash Fund

Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$158,427	\$160,265	\$140,928	\$(19,337)
Interest	500	939	939	
Total revenues	158,927	161,204	141,867	(19,337)
Expenditures				
Public works:				
Garbage collection	148,158	164,215	156,376	7,839
Capital outlay	50			
Total expenditures	148,208	164,215	156,376	7,839
Excess of revenues over (under) expenditures	10,719	(3,011)	(14,509)	(11,498)
Fund balance at end of year	\$ 10,719	\$ (3,011)	\$ (14,509)	\$(11,498)

Other Supplemental Information

Taymouth Township
Saginaw County
State of Michigan

Combining Balance Sheet
Special Revenue Funds

June 30, 2005

	Library	Trash	Park	Total
Assets				
Cash	\$951	\$78,921	\$4,381	\$84,253
Total assets	\$951	\$78,921	\$4,381	\$84,253
Liabilities and fund balances				
Liabilities:				
Accounts payable		\$11,800		\$11,800
Deposits payable			\$1,000	1,000
Total liabilities		11,800	1,000	12,800
Fund balances:				
Unreserved - designated				
Unreserved - undesignated	\$951	67,121	3,381	71,453
Total fund balances	951	67,121	3,381	71,453
Total liabilities and fund balances	\$951	\$78,921	\$4,381	\$84,253

Taymouth Township
Saginaw County
State of Michigan

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Special Revenue Funds

Year ended June 30, 2005

	Library	Trash	Park	Total
Revenues				
Taxes		\$140,928		\$140,928
Intergovernmental	\$ 2,016			2,016
Fines and forfeits	83			83
Interest	7	939	\$ 27	973
Rents	1,324		2,419	3,743
Other	5,631		1,671	7,302
Total revenues	9,061	141,867	4,117	155,045
Expenditures				
Public works:				
Trash collection		156,376		156,376
Recreation and cultural:				
Parks			19,449	19,449
Library	53,636			53,636
Capital outlay	7,162		8,000	15,162
Total expenditures	60,798	156,376	27,449	244,623
Excess of revenues under expenditures	(51,737)	(14,509)	(23,332)	(89,578)
Other financing sources				
Operating transfers in	25,709		11,454	37,163
Excess of revenues and other financing sources under expenditures	(26,028)	(14,509)	(11,878)	(52,415)
Fund balances at beginning of year	26,979	81,630	15,259	123,868
Fund balances at end of year	\$ 951	\$ 67,121	\$ 3,381	\$ 71,453

Taymouth Township
Saginaw County
State of Michigan

Statement of Changes in Assets and Liabilities
Current Tax Collections Fund

Year ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Assets				
Cash		\$2,034,437	\$2,034,437	
Total assets	-	\$2,034,437	\$2,034,437	-
Liabilities				
Due to other funds		\$ 391,956	\$ 391,956	
Due to other taxing units		1,642,481	1,642,481	
Total liabilities	-	\$2,034,437	\$2,034,437	-

Taymouth Township
Saginaw County
State of Michigan

Detail of Indebtedness

June 30, 2005

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity	Amount of Annual Maturity	Annual Interest
					June 30, 2004	June 30, 2005	Payment
Phase V	October 1, 1999	\$950,000	7.20%	5/1/2005	\$ 25,000		
			7.20%	5/1/2006	25,000	\$ 25,000	\$ 49,020
			7.20%	5/1/2007	35,000	35,000	47,220
			7.20%	5/1/2008	35,000	35,000	44,700
			7.20%	5/1/2009	40,000	40,000	42,180
			6.60%	5/1/2010	40,000	40,000	39,300
			5.20%	5/1/2011	45,000	45,000	36,660
			5.20%	5/1/2012	50,000	50,000	34,320
			5.20%	5/1/2013	55,000	55,000	31,720
			5.20%	5/1/2014	75,000	75,000	28,860
			5.20%	5/1/2015	85,000	85,000	24,960
			5.20%	5/1/2016	95,000	95,000	20,540
			5.20%	5/1/2017	100,000	100,000	15,600
			5.20%	5/1/2018	100,000	100,000	10,400
			5.20%	5/1/2019	100,000	100,000	5,200
					\$905,000	\$880,000	\$430,680

Taymouth Township
Saginaw County
State of Michigan

Detail of Indebtedness (continued)

June 30, 2005

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2004	Amount of Annual Maturity June 30, 2005	Annual Interest Payment
Phase VI	August 1, 2001	\$190,000	4.30%	5/1/2005	\$ 10,000		
			4.30%	5/1/2006	10,000	\$ 10,000	\$ 7,460
			4.30%	5/1/2007	10,000	10,000	7,030
			4.30%	5/1/2008	10,000	10,000	6,600
			4.30%	5/1/2009	10,000	10,000	6,170
			4.30%	5/1/2010	10,000	10,000	5,740
			4.40%	5/1/2011	10,000	10,000	5,310
			4.50%	5/1/2012	10,000	10,000	4,870
			4.60%	5/1/2013	10,000	10,000	4,420
			4.70%	5/1/2014	10,000	10,000	3,960
			4.80%	5/1/2015	10,000	10,000	3,490
			4.90%	5/1/2016	10,000	10,000	3,010
			5.00%	5/1/2017	10,000	10,000	2,520
			5.00%	5/1/2018	10,000	10,000	2,020
			5.00%	5/1/2019	10,000	10,000	1,520
			5.10%	5/1/2020	10,000	10,000	1,020
			5.10%	5/1/2021	10,000	10,000	510
					\$170,000	\$160,000	\$65,650

Taymouth Township
Saginaw County
State of Michigan

Detail of Indebtedness (continued)

June 30, 2005

Name of Issue	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	Amount of Annual Maturity June 30, 2004	Amount of Annual Maturity June 30, 2005	Annual Interest Payment
Refunding bonds Phases I-IV	April 28, 2004	\$965,000	3.55%	6/1/2005	\$110,000		
			3.55%	6/1/2006	110,000	\$110,000	\$ 28,400
			3.55%	6/1/2007	115,000	115,000	24,406
			3.55%	6/1/2008	135,000	135,000	19,969
			3.55%	6/1/2009	130,000	130,000	15,265
			3.55%	6/1/2010	125,000	125,000	10,739
			3.55%	6/1/2011	105,000	105,000	6,656
			3.55%	6/1/2012	110,000	110,000	2,840
			3.55%	6/1/2013	15,000	15,000	621
			3.55%	6/1/2014	5,000	5,000	266
			3.55%	6/1/2015	5,000	5,000	89
					<u>\$965,000</u>	<u>\$855,000</u>	<u>\$109,251</u>



To the Township Board
Township of Taymouth

In planning and performing our audit of the financial statements of the Township of Taymouth for the year ended June 30, 2005 we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

The attached suggestions are submitted to assist in improving procedures and controls.

This report is intended solely for the information and use of the Township Board and management of the Township and is not intended to be and should not be used by anyone other than those specified parties.

We would be pleased to discuss the following matters or to respond to any questions, at your convenience.

Andrews Hooper & Pavlik P.L.C.

Bay City, Michigan
March 8, 2006

Summary of Applicable Prior Year Recommendations

These comments are included as a reminder of our prior year recommendations.

Antifraud Programs and Controls as highlighted in Statement of Auditing Standards No. 99, Consideration of Fraud in a Financial Statements Audit

Although the Township has a system of internal controls that addresses the prevention of material misstatements, whether caused by error or fraud, separate controls related specifically to fraud have not been formally implemented. We noted this condition as part of our overall review of the Township's internal controls. Although separate antifraud controls are not formally required, they are considered good practice. Statement of Auditing Standards No. 99, *Consideration of Fraud in a Financial Statements Audit*, includes a document commissioned by the Fraud Task Force of the AICPA's Auditing Standards Board titled, "Management Antifraud Programs and Controls." This document outlines a framework for an entity's management to implement measures to reduce the incidence of fraud.

While the Township's current system of internal control includes policies and procedures that can help reduce the risk of incidences of fraud, we recommend that the Township adopt a formal fraud risk assessment process. This process starts with consideration of the culture of honesty and high ethics within the Township. Cultures of honesty and high ethics clearly communicate acceptable behavior and expectations of each employee. Such a culture is rooted in a strong set of core values that provide the foundation for employees as to how the organization conducts its business. It also allows an entity to develop an ethical framework that covers (1) fraudulent financial reporting, (2) misappropriation of assets, and (3) corruption as well as other issues. Maintaining this culture requires that the Township monitor the following:

1. Tone at the top.
2. Maintenance of a positive workplace environment.
3. Hiring and promoting appropriate employees.
4. Training about the Township's values and its code of conduct.
5. Confirmation that all employees will be held accountable to act within the Township's code of conduct.
6. Discipline system as to the way the Township communicates the way it reacts to incidents of alleged or suspected fraud, including expectations about the consequences of committing fraud.

Neither fraudulent financial reporting nor misappropriation of assets can occur without a perceived opportunity to commit and conceal the act. Townships can proactively reduce the risk of fraud opportunities by:

1. Identifying and measuring fraud risks.
2. Taking steps to mitigate identified risks.
3. Implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.

As mentioned earlier, while a portion of the Township's existing internal controls contribute to the antifraud objectives discussed in our recommendation, establishing an ongoing, formal antifraud program could further strengthen the Township's existing internal controls for preventing and detecting material misstatements on a timely basis. Such a program would include a fraud policy.

E-mail and Electronic Recording

It is essential that government agencies appropriately manage their electronic records, including e-mail. Like all other government records, electronic records and e-mail are subject to Freedom of Information Act (FOIA) requests and litigation. Agencies can be held liable if they keep their e-mail messages too long, if their e-mail messages are not properly destroyed, or if they are destroyed too soon. The State of Michigan has published two guides, one for electronic records generally and the other for electronic mail. We recommend that the Township review these guides and compare its current policies and procedures with those suggested by the State of Michigan guides in order to evaluate whether any changes in current policies may be required.

Internal Controls and Separation of Duties

One of the key features of a strong internal control structure is adequate separation of duties as they relate to functions that are generally considered incompatible. The basic premise is that no one employee should have access to both the physical assets and the relating accounting records or to all phases of the transaction. However, we recognize that the limited number of staff in smaller municipalities often prohibits an optimum, cost-effective separation of duties. Although the size of the Township's staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties.

Financial Oversight. The general limitations on separation of duties in any smaller municipalities like the Township of Taymouth requires that the Township Board continue to remain involved in the financial affairs of the Township through oversight of operations, development of the Township budget, inquiries about variances between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Based on our inquiries, the Township Board performs these duties and our comment here is intended to emphasize the importance of the Township Board's financial oversight role.